

FREQUENTLY ASKED QUESTIONS

Q. Why do my rates seem to increase every year?

A. We try to manage the system to minimize rate increases while ensuring the infrastructure will be in place to handle present and future needs. The costs of operating the treatment plant and collection system, as well as paying for repairs, maintenance, and replacement of worn out infrastructure must be paid by the users of the system.

Q. Why do I pay the same as my neighbor with 4 children even though I live alone?

A. We do not have a cost effective method of measuring usage since we do not deliver your water to you and the cost of installing meters on the sewer system is prohibitive. We also do not have the staffing to track the number of people per household which can change frequently. This leads to the need for a flat billing method per ESD (used by 84% of similar entities in California) which is also easy and inexpensive to administer.



Sonoma County Water Agency

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GLOSSARY

Capital Project: A project that replaces or adds assets valued at more than \$25,000.

Operations: Those activities that provide direct service to system users or to support direct service.

Maintenance: Those activities that work to keep current equipment, facilities and, infrastructure operational.

ESD: Equivalent Single Family Dwelling (Commercial and multi-residential properties are charged the flat rate times the number of ESDs).

UNDERSTANDING YOUR SANITATION DISTRICT BUDGET AND FEES

OCCIDENTAL SANITATION ZONE

THE BUDGET PROCESS

The fiscal year of the sanitation districts and zones starts on July 1st of each year and runs through June 30th of the following year. Thus the following information concerns the period July 1, 2012 through June 30, 2013. The budgets are prepared approximately six months in advance of the period they cover so that there is ample opportunity for public input and to allow the required review and approval process to take place.

Public input is a continuous process and can occur at any time during the year. Specific maintenance and construction projects and priorities are regularly reviewed and revised by staff. Many of these projects have their own environmental and construction approval process which includes public inputs.

A five year capital plan is prepared for the district or zone by the staff based on the need for replacement of aging collection systems and other assets necessary to process the waste water according to regulatory requirements.

Priorities for projects are assigned taking public inputs, maintenance data, and assessment of the current condition of the facilities into account. The funds available for capital improvements and replacement are then planned for in such a way as to level the expenditures from year to year and thus to reduce the impact that sharp increases in rates would have on the rate payers.

Budgets also take into account current maintenance and operations costs, any bond or loan repayments, and the need to maintain sufficient financial reserves to cover unexpected damage or system failures. Budgets are developed using estimates for both these items and for revenues. Because of the uneven timing of the revenues paid to the district and because actual costs rarely turn out exactly equal to our estimates, fund balances or retained earnings are kept at all times. These fund balances typically amount to three to six months of operating expenses.

BUDGET APPROVAL

Once staff has developed the proposed budgets and rates, the budgets are sent to libraries around the county and are available for public review at those locations and at the Sonoma County Water Agency. This typically happens at the end of February each year. Notices of the proposed rate are also sent to the owners of all the properties in the district at that time. The public can protest rate increases up to the date of the rate

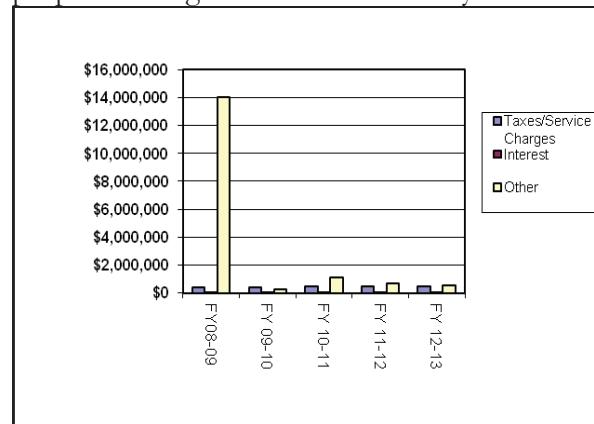
hearings, which are typically held in mid-April at the Board of Supervisors chambers.

BUDGET SUMMARY

WHERE THE MONEY COMES FROM

The primary source of revenues are the fees charged to district rate payers and collected on the property tax bills sent out by the County Assessor. Other sources of revenue include interest on fund balances and fees charged for new connections. Proceeds from bonds and debt paid through property assessments may increase the funds available to spend on capital projects but are not counted as revenue to the district.

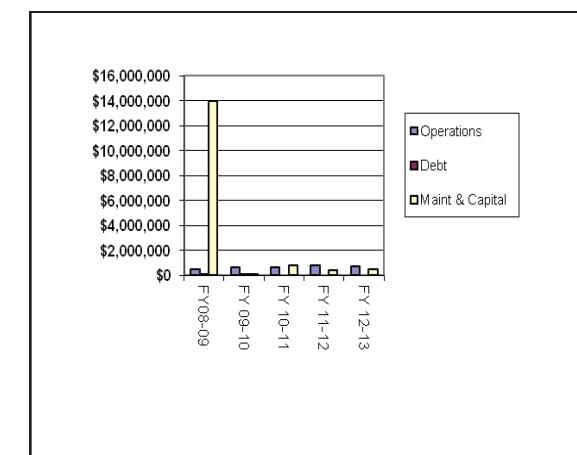
Figure 1 is a chart showing the district's revenue for the last four years and the proposed budget for the next fiscal year.



WHERE THE MONEY GOES

The district spends money to operate the waste water collection and treatment facilities, to maintain and repair district facilities, and to repay bond, other debt and miscellaneous liabilities which may occur as a result of operation. The district also spends money to accomplish the capital projects needed in the district.

Figure 2 shows the trends in the expense levels over the last four years and next year's budget.



The list of major capital projects planned for the district includes:

Wastewater and Reclamation
\$500,000